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SUBJ: POLICY ASSESSMENT INDIA 1971
DEPARTMENT PLEASE REPEAT AS DESIRED
A. SUMMARY AND CONCLUSIONS

1. OVERVIEW: NIXON DOCTRINE POSITS THAT WORLD ORDER AND US SECURITY INTERESTS ARE BEST SERVED BY US COOPERATION WITH PRE-DOMINANT REGIONAL POWERS. INDIA ALREADY IS SUCH IN SOUTH ASIA AND HAS POTENTIAL BEYOND. FOR FORESEEABLE FUTURE, HOWEVER, US INTERESTS, OPPORTUNITIES AND RESPONSIBILITIES ARE LIKELY TO BE MODEST AND MANAGEABLE AT MEASURED LEVELS SUFFICIENT TO MITIGATE SOVIET PRIMACY AND TO RETAIN AMERICAN OPTIONS FOR POSSIBLY MORE ACTIVE INVOLVEMENT LATER.

2. US POLICY PRESPECTIVES

THERE ARE THREE BROAD PERSPECTIVES ON INDIA WITH DIFFERING IMPLICATIONS FOR US POLICY:

(A) INDIA IS A POLITICALLY/SOCIALLY/AND ECONOMICALLY VIABLE

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DEMOCRACY DOMINANT IN SOUTH ASIA AND WITH INCREASING SIGNIFICANCE IN BROADER ASIAN CONTEXT. ERGO, US HAS SUBSTANTIAL INTEREST IN ACCESS, INFLUENCE AND INHIBITION OF SOVIET DOMINATION; OR (B) INDIA IS AN OVERSIZED POLITICAL CONGLOMERATE LACKING COHESION, WITH MASSIVE ECONOMIC AND SOCIAL PROBLEMS THREATENING DEMOCRATIC VIABILITY, PRECLUDING EFFECTIVE REGIONAL POWER, ENTAILING ENDLESS EXTERNAL ASSISTANCE. ERGO, US HAS LITTLE INTEREST OTHER THAN HUMANITARIAN AND COULD STAND BACK AND SEEK TO HANG USSR WITH A SUBCONTINENTAL ALBATROSS; OR

(C) INDIA IS A MIX OF OPTIMISTIC AND PESSIMISTIC PROSPECTS, WITH, HOWEVER, A NET DYNAMIC TOWARD VIABILITY AND POWER, EVIDENCED BY AN EFFICIENT MILLION-MAN ARMED FORCE, DEMONSTRATED CAPACITY FOR STRATEGIC PLANNING AND CRISIS MANAGEMENT, THRESHOLD NUCLEAR CAPABILITY, EFFECTIVE DEMOCRATIC GOVERNMENT, NATIONAL CONSENSUS AND SELF-CONFIDENCE, SUBSTANTIAL HUMAN AND NATURAL RESOURCES, AND IMPULSE TOWARD SELF-RELIANCE. ERGO, US HAS GENERAL INTEREST IN INVOLVING REALISTIC BASIS FOR POTENTIALLY IMPORTANT RELATIONSHIP. I BELIEVE (C) IS MOST LIKELY; IN ANY EVENT, INDIA IS NOT GOING DOWN THE DRAIN; THERE IS TOO MUCH ACCOMPLISHMENT AND POTENTIAL FOR THAT.

3. INDIAN POLITICAL PROSPECTS

INDIAN DEMOCRATIC PRACTICES AND CULTURAL ORIENTATION COUNT IN US POLITICAL ASSESSMENT AS BEDROCK OF SHARED VALUES BETWEEN OTHERWISE WIDELY DIFFERING SOCIETIES AND AS BASIC WESTERN ADVANTAGE VIS-A-VIS USSR AND CHINA.

(1) INTERNAL PROSPECTS WHICH TURN ON INDIAN CAPACITY TO MANAGE MASSIVE

CHANGE ARE:

(1) DEMOCRATIC VIABILITY -- THE ACTUAL POLITICAL CONDITION BASED ON ESTABLISHED INSTITUTIONS, ELITE COMMITMENT AND VESTED INTEREST, POPULAR EXPECTATIONS AND USAGE, NATIONAL DIVERSITY AND FEDERALISM; OR

(2) POPULIST DIVERSION -- SHOULD THE INDIRA CULT OF PERSONALITY RUN UNCHECKED BY HER AND BY CURRENTLY VITIATED COUNTERVAILING FORCES; OR

(3) AUTHORITARIAN REACTION -- FOLLOWING PROLONGED FAILURE TO COPE EFFECTIVELY WITH POLITICALLY SALIENT SOCIAL AND ECONOMIC DEMANDS, GIVEN VIOLENCE AND REPRESSION, ASIAN SOCIAL AUTOCRACY, INDIAN BUREAUCRATIC MANIA AND LONDON SCHOOL ECONOMICS.

I BELIEVE INDIA'S DEMOCRATIC SYSTEM RESPONDED WELL TO INTERNAL AND EXTERNAL STRESS IN 1971 AND PROMISES TO REMAIN VIABLE AND DURABLE

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THROUGHOUT THE 1970'S DESPITE SOCIO-ECONOMIC PRESSURES AND INDIRA GANDHI'S TOWERING PRESENCE.

(B) EXTERNAL PROSPECTS WHICH ARE FUNCTION OF INDIAN CAPACITY TO MANAGE OWN REGIONAL POWER PREDOMINANCE MATURELY AND TO LIMIT AND BALANCE NON-REGIONAL POWER INFLUENCES ARE:

(1) INDIAN CHAUVINISM -- EMERGING FROM INDIA'S VERY STRONG NATIONAL INDEPENDENCE COMMITMENT, SIZE AND DIVERSITY, CONSERVATIVE SOCIETY AND TRADITIONAL VALUES; OR

(2) SOVIET HEGEMONY -- GIVEN COMPLEMENTARY INTERNAL AND EXTERNAL FACTORS INCREASING SCOPE FOR PRO-SOVIET COMMUNIST INFLUENCE WITHIN INDIA, E.G. (A) MRS. GANDHI'S LEFTIST TILT AND STRATEGY OF USING THE PRO-SOVIET CPI AGAINST THE INDIGENOUS CPM; (B) DISPARATE INDO-US AND INDO-USSR EQUATIONS AND ADROIT USSR HANDLING OF INDO-SOVIET RELATIONS; (C) INDIAN ECONOMIC AND MILITARY SUPPLY STRINGENCIES; HOWEVER, INDIA IS NO EASTERN EUROPEAN STATE WITHOUT SCOPE FOR NATIONAL SELF-DETERMINATION AND CONTROLLABLE BY GEOGRAPHY, GUNS AND AGENTS (THE PARALLEL WITH CHINA IS MORE VALID); OR



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(3) INDIAN OUTREACH -- EXTENSION AND ASSERTION OF INDIAN STRATEGIC/DIPLOMATIC PRESENCE IN SOUTH AND SOUTH EAST ASIA WITH RANGE AND DEGREE DEPENDENT UPON INDIAN NATIONAL DEVELOPMENT AND EXTENT OF INDO-SINO/SOV/US COLLABORATION/OPPOSITION.

I BELIEVE INDIAN CHAUVINISM IN GREATER OR LESSER DEGREE IS THE DOMINANT FORESEEABLE TREND. INDIAN COHESIVENESS, INTRANSIGENCE AND ANTI-COLONIAL HYPERSENSITIVITY WILL PROBABLY LIMIT THE SOVIET ROLE TO ONE OF SPECIAL RELATIONSHIP RATHER THAN HEGOMONY. THIS REGARD, CONTINUING US INVOLVEMENT WOULD PROVIDE A SIGNIFICANT BALANCE TO MAJOR SOVIET PRESENCE.

4. US POLICY CHOICES

US FACES NUMBER OF CHOICES IN SHORT TERM WHICH WILL SHAPE, AND WHICH SHOULD BE CONDITIONED BY, LONGER TERM POLICY DESIGN: IN SHORT TERM WE CAN OPT FOR:

- (A) DISENGAGEMENT BY CONTINUED SUSPENSION, REDUCTION, TERMINATION OF ESTABLISHED PROGRAMS WITH GENERAL AND EARLY EFFECT;
- (B) BUSINESS AS USUAL: UNILATERAL REVIVAL OF STATUS QUO ANTE ACROSS BOARD PENDING BASIC REVIEW;

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(C) SELECTIVE INVOLVEMENT: ONGOING PROCESS OF DIFFERENTIATED AND NEGOTIATED MAINTENANCE AND LAPSE OF PROGRAMS.

DISENGAGEMENT IN SHORT-TERM TIME-FRAME IS BOUND TO BE DISRUPTIVE, CONSIDERED PUNITIVE AND LIKELY TO GENERATE UNINTENDED FURTHER DETERIORATION. BUSINESS AS USUAL APPROACH WOULD PASS SHORT TERM INITIATIVE AND ONUS TO GOI. SELECTIVE INVOLVEMENT WOULD FACILITATE EARLY BEGINNING OF RESTRUCTURING OF RELATIONSHIP.

ASSUMING, AS I DO, THAT US OVER MEDIUM TERM WILL WISH NEITHER TO CONTINUE NOR INCREASE RECENT LEVELS OF INVOLVEMENT, I FAVOR A SELECTIVE PHASING DOWN AND RESTRUCTURING OF OUR INVOLVEMENT THAT WILL FIND US WITHIN TWO YEARS WITH A REDUCED BUT SIGNIFICANT RANGE OF MUTALLY AGREEABLE PROGRAMS JUSTIFIABLE ON THEIR MERITS AND AVAILABLE FOR BUILDING UPON IN THE EVENT THAT ANTICIPATED LONGER-RUN REALIZATION OF INDIAN POTENTIAL MAKES THAT ADVISABLE.

ANY SUCH US PHASE-DOWN IN INDIA SHOULD BE ORDERLY TO MINIMIZE DAMAGE TO DEVELOPMENT OBJECTIVES AND NON-PUNITIVE TO OBVIATE NEEDLESS ACRIMONY. CONVERSELY, CONTINUING US INVOLVEMENT SHOULD BE BASED ON EXPLICIT INDO-AMERICAN MUTUALITY OF INTEREST, RESPONSIVE TO PRIORITY US AND INDIAN NEEDS, AND BASED ON THOROUGH POLICY REVIEW.

5. ACTION REQUESTED

I SUBMIT HERewith CONTRIBUTIONS TO THE CURRENT US POLICY REVIEW AND SEVERAL RECOMMENDATIONS CONCERNING INDO-AMERICAN COMMUNICATION, POLITICAL POSTURE, BANGLADESH, MILITARY SUPPLY, ECONOMIC AID, RUPEE HOLDINGS, SCIENCE/TECHNOLOGY, CONTACT ACTIVITIES, AND US PRESENCE. I WOULD APPRECIATE DEPARTMENT COMMENTS AND GUIDANCE.

6. IMMEDIATELY FOLLOWING CESSATION HOSTILITIES WE INSTITUTED MISSION-WIDE RECONSIDERATION OF OUR POLICY TOWARD INDIA IN PRESENT CONTEXT. THIS EFFORT CULMINATED

IN COUNTRY TEAM MEETING WITH CONSULS GENERAL IN NEW DELHI, JANUARY 6 AND 7. THIS MESSAGE REPRESENTS RESULTS THAT EFFORT, AND HAS CONCURRENCE COUNTRY TEAM AND CONGENS. END SUMMARY.

B. THE POLICY CONTEXT

1. INDIA-DOMESTIC:

DOMESTICALLY, PRIME MINISTER GANDHI'S SUCCESS IN MID-TERM

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PARLIAMENTARY ELECTIONS REFLECTED HER PERSONAL POPULARITY BUT ALSO REPRESENTED AT LEAST TEMPORARY VICTORY OF NATIONALISM, SOCIAL REFORM AND POLITICAL RESTRUCTURING OVER CONVENTIONAL INDIAN POLITICS OF CASTE, FACTION AND REGIONAL INTERESTS. MRS. GANDHI CONTINUES TO CONSOLIDATE VICTORY NATIONALLY AND IN STATES. THIS PROCESS IS ACCOMPANIED BY INCREASINGLY SOCIALIST CAST TO INDIAN POLITICAL RHETORIC WITH INCREASING CARRY-OVER IN ACTUAL POLICY DECISIONS. CURTAILMENT OF PRIVATE PROPERTY ALREADY IN PROGRESS AND GREATER PRESSURE FOR SOCIALIST CONFORMITY SEEMS LIKELY. MAJOR TREND, HOWEVER, IS INCREASING CONCENTRATION OF POWER AT CENTER WITH CONCOMITANTLY GREATER CAPACITY FOR DECISIVE ACTION.



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DOMESTIC CONCERNS LIKELY WILL HAVE FIRST PRIORITY AS MRS. GANDHI ATTEMPTS TO PROMOTE ECONOMIC DEVELOPMENT AND WEALTH DISTRIBUTION. COSTS OF WAR AND BANGLADESH REFUGEES HAVE INCREASED GOI BUDGET DEFICIT FOR IFY 1971-72 FROM US \$293 MILLION TO US \$600 MILLION AND HAVE ADDED TO INFLATIONARY TENDENCIES. IN LONGER RUN, HOWEVER, INDIA'S MILITARY VICTORY AND EMERGENCE OF BANGLADESH PROBABLY WILL AT LEAST marginally BENEFIT INDIA ECONOMY, STRENGTHEN MRS. GANDHI'S HAND, AND BUY TIME FOR DIRECTING AND SHAPING INDIAN SOCIO/ECONOMIC STRUCTURE. EXTENT TO WHICH MRS. GANDHI SUCCEEDS IN CAPITALIZING ON THIS OPPORTUNITY WILL DETERMINE LONGER TERM VIABILITY OF STRONG, ESSENTIALLY DEMOCRATIC CENTRAL CONTROL.

2. ASIAN POWER BALANCE:

HAVING EMERGED FROM INDO-PAK CONFLICT WITH UNDISPUTED PRE-EMINENCE IN SOUTH ASIA, INDIA LIKELY WILL SEEK BROADER ASIAN ROLE AND WILL HAVE ENHANCED CAPABILITY TO PROJECT ITS INTERESTS IN REGION. INDIA'S INFLUENCE WITH SMALLER STATES ON ITS PERIPHERY WILL INCREASE, AND THERE WILL LIKELY BE PRESSURE FROM THEM FOR GREATER US COMMITMENT AS FORM OF QTE MINI-CONTAINMENT UNQTE OF INDIA. WITH AMBITIONS OF EVENTUALLY COMPETING WITH CHINA AND

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JAPAN INDIA MAY ATTEMPT TO UTILIZE ITS NEW RELATIONSHIP WITH MOSCOW TO ENHANCE ITS COMPETITIVE POSITION IN SOUTH EAST ASIA AND INDIAN OCEAN. AT MINIMUM, ASSUMING CONTINUED DOMESTIC STABILITY AND ECONOMIC GROWTH, INDIA PROBABLY WILL OVER LONG TERM ATTEMPT TO UTILIZE SINO-SOVIET AND SINO-JAPANESE RIVALRIES TO FASHION A SWING SEAT IN ASIAN REGIONAL POLITICS. INDIAN MOVES INTO BROADER ASIAN REGIONAL SCENE COULD COME TO HAVE SIGNIFICANT IMPACT ON STABILITY OF AREA AND US INTERESTS. SOUTH ASIAN CRISIS HAS HEIGHTENED SINO-SOVIET TENSIONS, AND GROWING INDO-SOVIET RELATIONSHIP MAY ADD TO CHINESE UNEASE ABOUT BALANCE OF POWER IN SOUTH EAST AND CENTRAL ASIA. CONVERSELY, NEW POWER CONFIGURATION IN SOUTH ASIA MAY ADD INCENTIVE FOR IMPROVED SINO-INDIAN RELATIONS.

3. INDO-SOVIET RELATIONS:

MOSCOW'S ALREADY GROWING ROLE WITH GOI WAS SHARPLY ENHANCED BY ITS ADROIT HANDLING OF INDO-PAK CRISIS, PARTICULARLY GIVEN INDIAN CONCERN ABOUT TWO-FRONT CONFRONTATION WITH PAKISTAN AND CHINA WITHOUT ANY US SUPPORT AGAINST CHINA. INDO-SOVIET TREATY OF AUGUST 9 OFFERS FRAMEWORK FOR INCREASINGLY CLOSE RELATIONS IN SECURITY, ECONOMIC

AND CULTURAL FIELDS. I ANTICIPATE GROWING COINCIDENCE OF SOVIET AND INDIAN VIEWS IN UN AND ON INTERNATIONAL RELATIONS GENERALLY. GROWTH OF SOVIET INFLUENCE IN INDIA, HOWEVER, WHILE LIKELY TO BE SUBSTANTIAL, WILL EVENTUALLY ENCOUNTER LIMITATIONS IMPOSED BY CONFLICTING NATIONAL, ECONOMIC AND POLITICAL INTERESTS EXACERBATED BY BRISTLING INDIAN CHAUVINISM. IN SHORT, INDIA IS UNLIKELY TO BECOME A SOVIET SATELLITE, AND THERE ALMOST CERTAIN TO BE FRICTION OVER LONGER TERM WHEN SOVIET PERFORMANCE IN ECONOMIC AND MILITARY COOPERATION FAILS TO MATCH INFLATED EXPECTATIONS AND WHEN INDIA INEVITABLY REFUSES TO PAY FULL PRICE -- IN TERMS OF POLITICAL, DIPLOMATIC AND MILITARY SUPPORT -- WHICH SOVIETS TRADITIONALLY HAVE EXPECTED OF NATIONS TO WHICH THEY PROVIDE SUBSTANTIAL SUPPORT. ANY EVENT, IT IS DEBATABLE HOW EFFECTIVELY USSR WILL BE ABLE TO EXPLOIT INDIA TO THREATEN US INTERESTS.

4. INDO-US RELATIONS:

INDIA'S DECISION TO RISK, AND ULTIMATELY EMPLOY MILITARY MEANS TO RESOLVE SUBCONTINENTAL CRISIS, AND US RESPONSE HAVE PRODUCED CRITICAL STRAIN IN INDO-US RELATIONS. INDIA'S APPROACH TO CONFRONTATION WITH PAKISTAN WAS MOTIVATED MOST SIGNIFICANTLY BY DESIRE (A) TO RESOLVE WITHIN ACCEPTABLE TIME MASSIVE REFUGEE PROBLEM POSING ECONOMIC AND SECURITY HAZARDS IN SENSITIVE EASTERN REGION,

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(B) TO POSITION ITSELF ADVANTAGEOUSLY FOR INEVITABLE EMERGENCE OF INDEPENDENT BANGLADESH, AND (C) TO EXPLOIT OPPORTUNITY TO CONSOLIDATE INDIAN REGIONAL DOMINANCE BY ELIMINATION OF PAKISTAN AS SIGNIFICANT RIVAL ON SUBCONTINENT. SEQUENCE OF US POLICY RESPONSES SINCE MARCH 25 INCLUDING ASSIGNING INDIA MAJOR RESPONSIBILITY FOR CONFLICT, STATEMENTS AND TACTICS IN UN, AND DISPATCH OF SEVENTH FLEET TO INDIAN OCEAN, REINFORCED DEEPLY HELD CONVICTION US SOUGHT TO COUNTERPOSE PAKISTAN AGAINST INDIA IN SOUTH ASIAN POWER BALANCE.

INDIA EMERGES FROM INDO-PAK CONFLICT MORE UNITED AND SELF-CONFIDENT THAN EVER. MRS. GANDHI TOWERS ABOVE POLITICAL SCENE AND FOR FORESEEABLE FUTURE WILL BE DECISIVE INFLUENCE ON INDO-US RELATIONS FROM INDIAN SIDE. THUS, WHILE CONTINUED EFFORTS TO INFLUENCE SIGNIFICANT INDIAN PUBLIC OPINION ARE REQUIRED, EFFECTIVE COMMUNICATION OF US INTERESTS, PERCEPTIONS, CAPABILITIES, AND INTENTIONS TO THE PRIME MINISTER AND HER CLOSEST ADVISORS. WHILE UNLIKELY TO LEAD TO IDENTITY OF VIEWS, IS PREREQUISITE FOR MUTUAL UNDERSTANDING WHICH SHOULD LEAD TO IMPROVED INDO-US RELATIONS.

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THROUGHOUT TRAUMATIC EVENTS OF 1971, US ACTIONS AND INDIA'S RESPONSES SHARPENED AND EMOTIONALIZED ABRASIVE ELEMENTS ALREADY INHERENT IN OUR RELATIONSHIP. BASIC CAUSES OF INDO-US MISUNDERSTANDING AND MALCOMMUNICATION ARE LIKELY TO REMAIN AFTER RESOLUTION OF CURRENT CRISIS IN INDO-US RELATIONS. ALTHOUGH US HAS USEFUL ASSET IN FIRMLY IMBEDDED INDIAN DEMOCRATIC INSTITUTIONS AND WESTERN-ORIENTED INDIAN ELITE, FACILE REFERENCES TO QTE WORLD'S TWO LARGEST DEMOCRACIES UNQTE SHOULD NOT OBSCURE BASIC QTE INDIANESS UNQTE OF THIS SOCIETY WHICH IS AT LEAST AS FUNDAMENTAL TO OUR RELATIONSHIP AS COMMONALITY OF INSTITUTIONS. EFFECTIVENESS OF US POLICY APPROACH TOWARD INDIA WILL DEPEND LARGELY ON DEGREE TO WHICH THIS IS REALIZED.

FOR OVER A DECADE INDO-AMERICAN RELATIONS HAVE BEEN PLAGUED BY (A) CONSISTENT MUTUAL FAILURE TO MEET EACH OTHER'S INFLATED EXPECTATIONS; (B) TENDENCY TO PLACE WORST POSSIBLE CONSTRUCTION ON OTHER'S ACTS OF COMMISSION OR OMISSION; (C) SUBSTANTIAL INATTENTION AND DILATORY CONSULTATION; (D) SELF-RIGHTEOUS AND MORALLY PATRONIZING ATTITUDES AND SOCIALISM/FREE ENTERPRISE MISCONCEPTIONS; AND (E) SENTIMENTAL NOTION THAT COMMON BRITISH CULTURAL AND POLITICAL HERITAGE SHOULD ASSURE EFFORTLESS UNANIMITY OF VIEW. IN COMBINATION, THESE FACTORS HAVE BEEN AND REMAIN A PRESCRIPTION

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FOR EMOTIONAL RATHER THAN PRAGMATIC RESPONSE.

C. SOME US INTERESTS

1. POLITICAL/STRATEGIC:

GEOGRAPHY, INDIAN POWER LIMITATIONS AND RELUCTANCE TO PROJECT MILITARY POWER FAR AFIELD MAKE IT UNLIKELY INDIA WILL DIRECTLY THREATEN ANY VITAL US SECURITY IN FORESEEABLE FUTURE. HOWEVER, INDIA, IN COMBINATION WITH OTHER STATES, HAS STEADILY GROWING CAPACITY TO AFFECT POWER RELATIONSHIPS IN ASIA, PARTICULARLY IF GOI OPTS FOR RUDIMENTARY NUCLEAR CAPABILITY IN RELATIVELY NEAR FUTURE. TO EXTENT INDIA CHOOSES QTE SPOILER UNQTE ROLE TO MOBILIZE OPINION AGAINST US POLICIES, INDIA COULD FRUSTRATE US POLITICAL INTERESTS IN SOUTH AND SOUTH EAST ASIA AND COMPLICATE SOME US SECURITY AIMS AS WELL. ILLUSTRATIVELY, DEGREE OF INDIAN COOPERATION OR OBSTRUCTIONISM COULD AFFECT (A) ESTABLISHMENT OF LAW OF SEA REGIME GUARANTEEING FREE PASSAGE THROUGH AND OVER STRAITS; (B) MILITARY/COMMUNICATIONS FACILITIES US CURRENTLY ENJOYS OR MIGHT SUBSEQUENTLY SEEK IN INDIAN OCEAN REGION; AND (C) SOVIET EXPANSION AROUND INDIAN OCEAN LITTORAL AND IN SOUTH EAST ASIA VIA GRANTING NAVAL OR OTHER MILITARY-RELATED SPECIAL FACILITIES. (WHILE INDIAN OCEAN LIKELY TO CONSTITUTE LONG-TERM IRRITANT IN INDO-US RELATIONS, THIS CAN, HOPEFULLY BE MITIGATED BY IMPROVED COMMUNICATION TO GOI OF US REGIONAL INTERESTS AND INTENTIONS).

2. INDIAN DEMOCRACY AS FACTOR IN REGIONAL AND INTERNATIONAL STABILITY :

NIXON DOCTRINE POSITS THAT WORLD ORDER AND US SECURITY INTERESTS ARE BEST SERVED BY US COOPERATION WITH PREDOMINANT REGIONAL POWERS. AS NOTED, INDIA CLAIMS US ATTENTION IN 1970'S AS COUNTRY WITH NECESSARY INGREDIENTS FOR MAJOR POWER STATUS AND ONE OF VERY FEW FUNCTIONING DEMOCRACIES IN ASIA. PRACTICAL ADVANTAGES TO HAVING DEMOCRACY AS REGIONAL POWER ARE: (A) LEADERSHIP TRANSITIONS, AND AFTER CONFLICT RESOLUTION, ARE SMOOTHER WITHIN DEMOCRATIC SOCIETY; (B) TIMELY DETECTION AND CORRECTION OF ERRONEOUS POLICIES; (C) GREATER US ACCESS TO BROAD RANGE OF PUBLIC OPINION.

US AIM SHOULD BE STRENGTHENING OF MODERATE FORCES IN INDIA DESIRING; (A) ACCOMMODATION WITH NEIGHBORING COUNTRIES; (B) MODULATED INDIAN ROLE IN INTERNATIONAL ORGANIZATIONS, UNENCUMBERED BY INDEOLOGICAL CANT; (C) ECONOMIC DEVELOPMENT, WITH DEFENSE

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BUDGET LIMITED TO ESSENTIAL DEFENSE NEEDS AND RESISTANT TO NUCLEAR WEAPONS PROGRAM; AND (D) DEMOCRATIC PROCESS AND OPEN SOCIETY WITH IMPROVED CROSS CULTURAL INDO-AMERICAN PRIVATE AND PUBLIC RELATIONS.

3. COMMERCIAL:

LAST THREE YEARS INDIAN PURCHASES FROM US AVERAGED \$600 MILLION, OF WHICH AN AVERAGE 383 MILLION AID-FINANCED. PRICING AND CREDIT POLICIES OF SUPPLIERS TOGETHER WITH INDIAN FOREIGN EXCHANGE SHORTAGE MAKE IT UNLIKELY INDIA WILL BE SIGNIFICANT US MARKER IN FORESEEABLE FUTURE. NONETHELESS, US SUPPLIERS CAN HOLD, AND PERHAPS marginally expand, POSITION IF INDO-AMERICAN RELATIONS DE NOT DETERIORATE FURTHER.

US DIRECT EQUITY INVESTMENT IN INDIAN CURRENTLY TOTALS ABOUT \$300 MILLION. DESPITE NATIONALIZATION TREND, INDIA WILL APPARENTLY HAVE MIXED ECONOMY FOR SOME TIME TO COME. GOI PROMISES TO PERMIT SMALL AND MEDIUM SIZED PRIVATE INDIAN FIRMS IN AREAS NOT BASIC TO INDIA'S ESSENTIAL ECONOMIC INFRASTRUCTURE, AND MAY ALLOW SOME FIRMS SERVICING INFRASTRUCTURE TO REMAIN PRIVATE. THEIR PARTICIPATION WILL BE SUBJECT, HOWEVER, TO TIGHT IMPORT CONTROLS, INVESTMENT LICENSING AND OTHER INHIBITING REGULATIONS. INVESTMENT CLIMATE IN INDIA IS NOT CONSIDERED GOOD BY US AND OTHER POTENTIAL FOREIGN INVESTORS, BUT WHERE US INVESTOR OFFERS SOPHISTICATED TECHNOLOGY IN GREAT DEMAND BY INDIA, AND WILLINGLY ACCEPTS MINORITY EQUITY ROLE. INVESTMENT PROSPECTS ARE FAVORABLE.



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D. RECOMMENDATIONS

1. GENERAL:

BASED ON FOREGOING ANALYSIS THAT INDIA'S INTERNAL STABILITY AND EXTERNAL POLICIES WILL AFFECT REGIONAL STABILITY AND THUS IMPINGE ON US GLOBAL INTERESTS, FOLLOWING RECOMMENDATIONS ARE DESIGNED OVER SHORT TERM TO EASE CURRENT STRAIN IN RELATIONS AND IN LONGER TERM

TO ESTABLISH FRAMEWORK FOR MODEST, FRUITFUL RELATIONSHIP OVER EARLY YEARS OF NEW DECADE. IN GENERAL, I RECOMMEND US RE-CAST RELATIONS WITH INDIA ON MORE PRAGMATIC MUTUAL SELF-INTEREST BASIS, SHORN OF EXAGGERATED EXPECTATIONS AND OF ASSUMPTION INDIA MORE NEEDLY THAN NEEDED. ALL RECOMMENDATIONS REQUIRE URGENT ACTION AND SEVERAL DEMAND CONTINUING ACTION OVER TIME.

2. COMMUNICATIONS:

IT WILL BE CRUCIAL TO COMMUNICATE ACCURATELY AND PERSUASIVELY US VIEWS OF ESSENTIAL INTERESTS AND INTENTIONS AND TO AVOID TALKING PAST GOI FOR PUBLIC RECORD. I URGE THAT SHORTLY AFTER COMPLETION USG POLICY REVIEW, WE UNDERTAKE INDO-US CONSULTATIONS TO EXPLORE

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IN DEPTH ISSUES AFFECTING INDIAN AND US INTERESTS, AND TO ELABORATE OUTLINES OF NEW RELATIONSHIP ON BOTH SIDES.

3. POLITICAL POSTURE:

US POLICIES TOWARD STATES ON INDIAN PERIPHERY, ESPECIALLY PAKISTAN, WILL HAVE MAJORE EFFECT ON INDO-US RELATIONS, AND US SHOULD ESCHEW QTE INDIAN CONTAINMENT UNQTE POSTURE BY DESIGN OR INADVERTENCE AND SHOULD REITERATE TO GOI THAT WE RECOGNIZE INDIA'S PRE-EMINENCE IN SOUTH ASIA AND SIGNIFICANCE BEYOND. ALSO, US SHOULD (A) INVITE GOI SUGGESTIONS FOR AVOIDING FRUSTRATING EACH OTHER'S PURPOSES IN ASIA WHERE ESSENTIAL INTERESTS DO NOT CONFLICT; (B) NOTE US BILATERAL RELATIONS WITH SOUTH ASIAN NATIONS ARE NOT COMPETITIVE WITH INDIA AND STRIVE TO DEMONSTRATE THIS BY CONSULTING WITH GOI ON PENDING US DECISIONS WITH REGIONAL IMPLICATIONS FOR INDIA; (C) REITERATE US NOT INTERESTED IN CONSTRUCTING OR CONTRIBUTING TO SOUTH ASIAN POWER BALANCE DIRECTED AGAINST INDIA; (D) ASSERT THAT US WANTS GOOD RELATIONS WITH PAKISTAN BUT HAS NO TREATY OR OTHER INTERESTS WHICH NEED COMPLICATE INDO-US RELATIONS; (E) ENCOURAGE INDIA TO WORK FOR PASTING POLITICAL ACCOMMODATION AND END OF MILITARY CONFRONTATION WITH PAKISTAN; AND (F) ACKNOWLEDGE GOI CONCERNS

REGARDING CHINA.

4. BANGLADESH:

US SHOULD INDICATE CONFIDENTIALLY TO GOI THAT WE ARE ESTABLISHING PRAGMATIC RELATIONS WITH BANGLADESH AUTHORITIES FOR PRACTICAL LIAISON, AND WE EXPECT RECOGNIZE BANGLADESH AFTER IT HAS BEEN DEMONSTRATED THAT BHUTTO CANNOT OBTAIN AGREEMENT FOR SOME LOOSE CONFEDERATION, AND IF AND WHEN INTERNATIONAL NORMS HAVE BEEN MET, E.G., FIRM CONTROL OF TERRITORY FORMERLY KNOWN AS EAST PAKISTAN, AND ESTABLISHED AND FUNCTIONING GOVERNMENT, AND WITHDRAWAL OF FOREIGN TROOPS. NOTE US INTEREST IN SEEING NEW STATE STAND ON ITS OWN FEET AND WITHING PARAMETERS OF AID INTENTIONS OUTLINED BELOW, US WILLINGNESS

TO PARTICIPATE IN INTERNATIONAL HUMANITARIAN EFFORT IN BANGLADESH. INDICATE US HOPE NON-REGIONAL POWERS WILL NOT EXERT OVERRIDING INFLUENCE IN BANGLADESH. AVOID COMMENT ON INDO-BANGLADESH SPECIAL RELATIONSHIP SINCE IT PRESENTLY CONTRIBUTES TO ORDER WITHIN BANGLADESH AND REGIONAL STABILITY.

5. MILITARY SUPPLY:

SINCE 1953, MOST SERIOUS CONTINUING BURDEN IN INDO-US RELATIONS

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HAS BEEN US MILITARY SUPPLY TO PAKISTAN. PRAGMATIC, FRUITFUL RELATIONSHIP WE RECOMMEND CANNOT BE ESTABLISHED UNTIL THIS CENTRAL ISSUE RESOLVED. ACCORDINGLY, IT IS CRUCIAL THAT US CONTINUE TO ESCHEW MILITARY GRANTS OR SALES TO PAKISTAN AND INDIA OF ANY KIND OF LETHAL MILITARY EQUIPMENT. US SHOULD SPECIFICALLY ABROGATE/ONE-TIME EXCEPTION MILITARY SALES AGREEMENT OF OCTOBER, 1970, AS EARNEST OF INTENT AND ON BASIS DRASTICALLY CHANGED CIRCUMSTANCES OVER SUBSEQUENT YEAR.

AS A GENERAL PRINCIPLE, THE US SHOULD LIMIT MILITARY SALES TO MINIMUM OF SPARES AND NON-LETHAL EQUIPMENT ON A CASE BY CASE BASIS.

IT IS ESSENTIAL TO THE MAINTENANCE OF US CREDIBILITY AND MINIMAL ENTREE TO THE INDIAN MILITARY THAT THE FOLLOWING BE CONTINUED:

- (A) MAP TRAINING AT CURRENT LEVELS WITH POSSIBLE FUTURE INCREASE (MAP TRAINEES CURRENTLY IN KEY POSITIONS GIVES US ENTREE TO INDIAN MILITARY OTHERWISE UNAVAILABLE AND VALUABLE FOR FUTURE);
- (B) FINANCIAL SUPPORT FOR PEACE INDIGO COMMUNICATIONS PROJECT FOR EARLY WARNING RADAR SYSTEM. (PROGRAM IS DEFENSIVE IN NATURE WITH FUNDS PARTIALLY COMMITTED FOR PROCUREMENT IN US).
- (C) COMMERCIAL SALES OF SPARES FOR C-119 FLEET.

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6. ECONOMIC AID:

MAJOR CHOICES FACE THE US WHICH COULD:

(A) DRAMATICALLY CURTAIL INDIAN AID PROGRAM (EXCEPTING HUMANITARIAN), REGARDLESS OF INDIAN NEEDS OR GOI DESIRE, BECAUSE OF GENERAL US AID WEARINESS, APPARENT LACK OF INDIAN GRATITUDE AND PIQUE AT GOI POLICY ON BANGLADESH;

(B) INDICATE WILLINGNESS RESUME AID AT PREVIOUSL LEVELS, SINCE ECONOMICALLY PROGRESSING, STABLE INDIA SERVES US REGIONAL INTEREST, AND NEED FOR CONTINUED SUBSTANTIAL OUTSIDE ASSISTANCE EVIDENT; OR

(C) TAKE AT FACE VALUE RECENT GOI EXPRESSIONS OF INTENTION TO REDUCE OR ELIMINATE RELIANCE ON FOREIGN ASSISTANCE, AND TELL GOI WE PREPARED TO DISCUSS AMICABLY A NON-PUNITIVE TRIMMING OR PHASE-OUT OF BILATERAL AID PROGRAM.

I RECOMMEND APPROACH (C) BECAUSE IT WOULD, CONSISTENT WITH US INTEREST IN DEVELOPMENT AND STABILITY, ALLOW SELECTIVE PARING OF AID PROGRAM, WHILE RETAINING FLEXIBILITY TO EXPAND SUBSEQUENTLY DEPENDING ON: (A) DEMONSTRATED GOI DESIRE FOR ASSISTANCE, (B) EMERGING PROSPECTS FOR BROAD REGIONAL DEVELOPMENT PROGRAMS, AND (C) AVAILABILITY OF US RESOURCES. HENCE, US SHOULD APPLAUD

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GOI RESOLVE TO DIMINISH RELIANCE ON FOREIGN ASSISTANCE, AND SAY FRANKLY SUCH RESOLVE, PLUS HIGH-LEVEL GOI CRITICISM OF CURRENT AID PROGRAM, AND REDUCED QUANTUM US RESOURCES AVAILABLE SUGGEST NEED FOR COMPLETE REVIEW AND APPROPRIATE REVAMPING OF US AID PROGRAM IN INDIA FOR NEXT FISCAL YEAR, INCLUDING BEGINNING OF GENERAL PHASE-OUT IF GOI DESIRES. CONCURRENTLY, TO HONOR COMMITMENT MADE FOR STILL VALID DEVELOPMENT REASONS AND AS EARNEST OF NON-PUNITIVE INTENTIONS, US SHOULD INFORM GOI WE RESTORING ASSISTANCE SUSPENDED WHEN INDO-PAK WAR BEGAN, WHICH INDIANS CAN USE OR NOT. (PROMPT ACTION THIS REGARD IMPORTANT, AND BUSINESS ELEMENTS FRIENDLY TO US ALREADY INDICATING TO EMBASSY THAT CONTINUED SUSPENSION ADVERSELY AFFECTING THEM).

US SHOULD EMPHASIZE TO GOI IMPORTANCE OF BILATERAL UNDERSTANDING ON AID AT POLITICAL LEVEL WHICH BOTH PARTIES THEN WOULD HAVE OBLIGATION ACTIVELY TO SUPPORT. THIS REGARD US SHOULD:

- (A) URGE TOI TO DEFINE LIMITS OF ASSISTANCE FROM ANY ONE SOURCE WHICH IT CONSIDERS COMPATIBLE WITH POLITICAL SELF RELIANCE;
- (B) INDICATE INTENTION TO GIVE FIRST PRIORITY ON AID FOR SUBCONTINENT NOW AND IN COMING FISCAL YEAR TO HELPING MEET THROUGH UN AND VOLUNTARY AGENCIES THE RESIDUAL RELIEF AND REHABILITATION-RELATED NEEDS IN EASTERN INDIA AND IN BANGLADESH;
- (C) MENTION WILLINGNESS TO CONSIDER PROJECT AID TH HELP FINANCE WORTHY REGIONAL DEVELOPMENTAL PROJECTS, IDEALLY WITH INDIAN, FOREIGN AND INTERNATIONAL COLLABORATION, WHICH MIGHT EMERGE FROM INTERNATIONAL LENDING AGENCIES, DONOR COUNTRIES, AND NATIONS OF AREA;
- (D) EXPLAIN COOLNESS TOWARD CONTINUING PREDOMINATELY NON-PROJECT AID AND PREFERENCE FOR SECTOR LOANS, BUT BE PREPARED CONSIDER INDIAN ARGUMENTS FOR CONTINUATION; AND
- (E) GIVEN INDIAN HESITATIONS ABOUT TECHNICAL ASSISTANCE, ADVISE THAT FUTURE PROJECTS WILL BE APPROVED ONLY UPON EXPLICIT EVIDENCE OF POLITICAL SUPPORT WITHIN GOI AND THAT WE WOULD WANT TO MOVE TOWARD GREATER GOI RESPONSIBILITY FOR THEIR PLANNING AND MANAGEMENT.

IMMEDIATE PROBLEM IS US POSTURE RE CONSORTIUM WORKING PARTY'S PARIS SESSIONS SCHEDULED FOR FEW WEEKS HENCE TO DISCUSS DEBT AID STUDY BY WORLD BANK. UNLESS US VIEWS ON FUTURE AID RELATIONSHIP TO INDIA SUFFICIENTLY CLEAR TO PERMIT CONSTRUCTIVE US PARTICIPATION, US MIGHT WISH TO POSTPONE SESSIONS WHILE SORTING OUT POLICY.

7. US RUPEE HOLDINGS:

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TANGENTIAL TO PARING AID PROGRAM AND REDUCING ASSOCIATED POLITICAL PROBLEMS, IS ENCUMBRANCE OF US-HELD RUPEES ON INDO-US RELATIONS. WE SHOULD INDICATE TO GOI WILLINGNESS TO NEGOTIATE ON APPROPRIATE WAYS TO ELIMINATE PL-480 RUPEE HOLDINGS DURING FINITE PERIOD NOT EXCEEDING 10 TO 15 YEARS. SAULNIER REPORT PRESUMABLE ESTABLISHES FRAMEWORK WITHIN WHICH NEGOTIATIONS COULD PROCEED.

8. SCIENCE/TECHNOLOGY:

GROWING INDIAN INTEREST IN ADVANCED US TECHNOLOGY SUGGESTS SUBSTANTIAL INDIAN RECEPTIVITY INCLUDING FOR PERSONNEL EXCHANGES IN SCIENTIFIC FIELDS. THIS PRESENTS OPPORTUNITIES FOR DIALOGUE WITH INDIAN INTELLIGENTSIA, AND USG AND PRIVATE ORGANIZATIONS SHOULD BE RESPONSIVE TO INDIAN APPROACHES AND PROGRAMS THIS REGARD. PRIVATE CHANNELS MAY BE MORE ACCEPTABLE IN PRESENT CLIMATE AND SHIFT AWAY FROM DIRECT USG SPONSORSHIP TO UNIVERSITY OR FOUNDATION CONTACT ARRANGEMENTS COULD BE USEFUL. HOWEVER, USG SHOULD DECIDE UPON PREFERRED DIRECTIONS FOR SCIENTIFIC EXCHANGES AND RELATED COMMERCIAL SALES AND FOR GOVERNMENT AGREEMENTS ON TRANSFERS OF TECHNOLOGY. GOI IS INTERESTED IN ACQUIRING WIDE RANGE OF ADVANCED TECHNOLOGY, PARTICULARLY ADVANCED ZROSPACE AND, TO LESSER EXTENT, NUCLEAR KNOWHOW (BOTH HAVE IMPLICATIONS FOR MILITARY CAPABILITY).

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GOI IS NOT KNOWN TO HAVE DECIDED TO PRODUCE NUCLEAR WEAPONS BUT THERE IS POPULAR DEMAND AND PRESSURES WILL INCREASE WITH EFFORTS TO ESTABLISH MAJORE POWER STATUS. US OPTIONS ARE: (A) REFUSE COOPERATION AND TECHNOLOGY IN SENSITIVE FIELDS, THUS FORECLOSING DIALOGUE WITH INDIAN SCIENTISTS AND ADMINISTRATORS TO ENCOURAGE PEACEFUL APPLICATIONS; (B) MAKE AVAILABLE UNCLASSIFIED TECHNOLOGY AND TECHNOLOGY WITH LOW CLASSIFICATION WHICH INDIANS CAN ACQUIRE ELSEWHERE; OR (C) FULL SUPPORT TO INDIAN PROGRAMS SO US CAN BE IN ON GROUND FLOOR OF POSSIBLE MUTUALLY BENEFICIAL SECURITY/DEFENSE RELATIONSHIP IF GOI OPTS FOR NUCLEAR WEAPONS. I CONSIDER OPTION (B) CONSISTENT WITH NON-PROLIFERATION AND WITH EFFORT TO MAINTAIN BENEFICIAL RELATIONSHIP WITH INDIAN NUCLEAR/SPACE ESTABLISHMENT. ANY CASE, IT IMPORTANT FOR US TO DECIDE ON BASIC, COMPREHENSIVE APPROACH LEST PIECEMEAL DECISIONS COMPROMISE US INTERESTS.

9. CONTACT ACTIVITIES:
MANY INDIANS REMAIN INTERESTED IN US, ALTHOUGH FAVORABLE PUBLIC EXPRESSION CURRENTLY MUTED. CONTINUED CONTACTS WITH CULTURAL, LABOR, BUSINESS AND OTHER PUBLIC OPINION LEADERS WILL BE IMPORTANT FACTOR IN MAINTAINING AMERICAN PRESENCE. CONFRONTED WITH

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INCREASING INACCESSIBILITY OF INDIAN MEDIA, US EFFORTS TO INFLUENCE GOVERNMENTAL AND NON-GOVERNMENTAL INDIAN OPINION MUST INCREASINGLY RELY ON CONTINUING USIS PUBLICATIONS AND IMPROVED VOA PROGRAMMING. PLACEMENT OF AMERICAN BOOK COLLECTIONS IN SIGNIFICANT INDIAN LIBRARIES AND CONTACTS BY AMERICAN SPEAKERS WITH UNIVERSITY AND LABOR AUDIENCES SHOULD BE CONTINUED AND, AS POSSIBLE, EXPANDED. US SHOULD PROPOSE EXPLORATORY TALKS WITH GOI TO EXAMINE PROS AND CONS OF INDO-US CULTURAL AGREEMENT DEFINING NATURE AND LEVEL OF MUTUALLY ACCEPTABLE EDUCATIONAL AND CULTURAL EXCHANGES.

10. US PRESENCE:

CONDUCT OF US RELATIONS WITH INDIA IN NEXT PERIOD SHOULD BE LOW PROFILE AND MUTED, AND INCLUDE SUBSTANTIAL REDUCTION IN US PRESENCE IN INDIA, ACCOMPANIED BY TIGHTER MISSION ORGANIZATIONAL STRUCTURE TO ACCOMPLISH ESSENTIAL PROGRAMS. EARLY IN NEW YEAR, AFTER RECEIVING DEPARTMENT'S POLICY RESPONSE TO RECOMMENDATIONS CONTAINED THIS MESSAGE, I EXPECT TO RECOMMEND, DRAWING ON DEPARTMENT'S MANAGEMENT EXPERTISE AS NECESSARY APPROPRIATE PERSONNEL AND MANAGEMENT REFORMS DESIGNED SELECTIVELY TO REDUCE US PERSONNEL. MY CURRENT THINKING FAVORS REDUCTION OF 25 TO 40 PERCENT OVER NEXT TWO YEARS, ASSUMING, IN PARTICULAR, CONSIDERABLE REDUCTION IN AID PROGRAMS AS ENVISAGED ABOVE.

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